January 2026

CCIR Cooperative Review of Insurers' Monitoring and Supervision of their Distribution Channels

Consolidated Observations, Recommendations and Good Practices Report

CCIR Canadian Council of Insurance Regulators | CCRRA Conseil canadien des responsables de la réglementation d'assurance

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Executive Summary

The members of the Canadian Council of Insurance Regulators undertook this cooperative review focused on insurers monitoring and supervision of their distribution channels to address issues identified in other recent supervisory work and trends identified between 2021 and 2024 in the Annual Statement on Market Conduct data.

The work carried out in connection with the cooperative review showed that most of the issues identified were due to a lack of insurers' robust monitoring and supervision of independent distribution channels.

The work carried out also revealed that issues related to selection of distributors and representatives as well as supervision and control of distribution channels, distributors and representatives, were present in a large majority of the insurers covered by the mandate.

With this report, the CCIR members aim to share good practices with all insurers to enhance fair treatment of customers business practices concerning distribution channels monitoring and supervision.

Introduction

In November 2015, the members of the Canadian Council of Insurance Regulators (**CCIR**) adopted the Framework for Cooperative Market Conduct Supervision in Canada (**Framework**), established following the adoption of the Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information. In accordance with this Framework, the members of CCIR's Cooperative Supervision Oversight Committee have collaborated on joint examinations in relation to commercial practices and the fair treatment of customers (**FTC**) among insurers.

These examinations were conducted in accordance with the legislation of the respective jurisdictions of the participating members and with best practices, including Guidance: Conduct of Insurance Business and Fair Treatment of Customers, published by CCIR in September 2018.

Background

CCIR members undertook this cooperative review focused on insurers monitoring and supervision of their distribution channels (**Review**) to address issues identified in other recent supervisory work and trends identified in data collected from Annual Statement on Market Conduct (**ASMC**) over the past four years.

Between December 2021 and March 2024, CCIR conducted several joint supervisory reviews of insurers, which identified some harmful commercial practices resulting from business model and operational deficiencies, primarily involving independent distribution channels.

The decision to proceed with the Review was also motivated by the growth, over several years, in the use of independent distribution channels, both in life and health (**L&H**) and property and casualty (**P&C**). This growth in independent channels use has occurred in a period when the number of FTC audits and reviews conducted by insurers of their independent channels were significantly fewer when compared against the number of audits and reviews done for direct and exclusive channels. It also coincided with a growing number of complaints in L&H since 2022. Lastly, L&H insurers paid higher commissions relative to premiums for independent channels than in direct or exclusive channels[1].

Scope

In June 2024, CCIR members sent a questionnaire to 19 insurers authorized in L&H or P&C insurance sectors in one or more of the participating jurisdictions. Insurers were selected based on the nature, size and complexity of their activities. The questionnaire assessed insurers' adherence to CCIR expectations and their implementation of sound commercial practices, with particular focus on monitoring and supervision of the direct, exclusive and/or independent distribution channels.

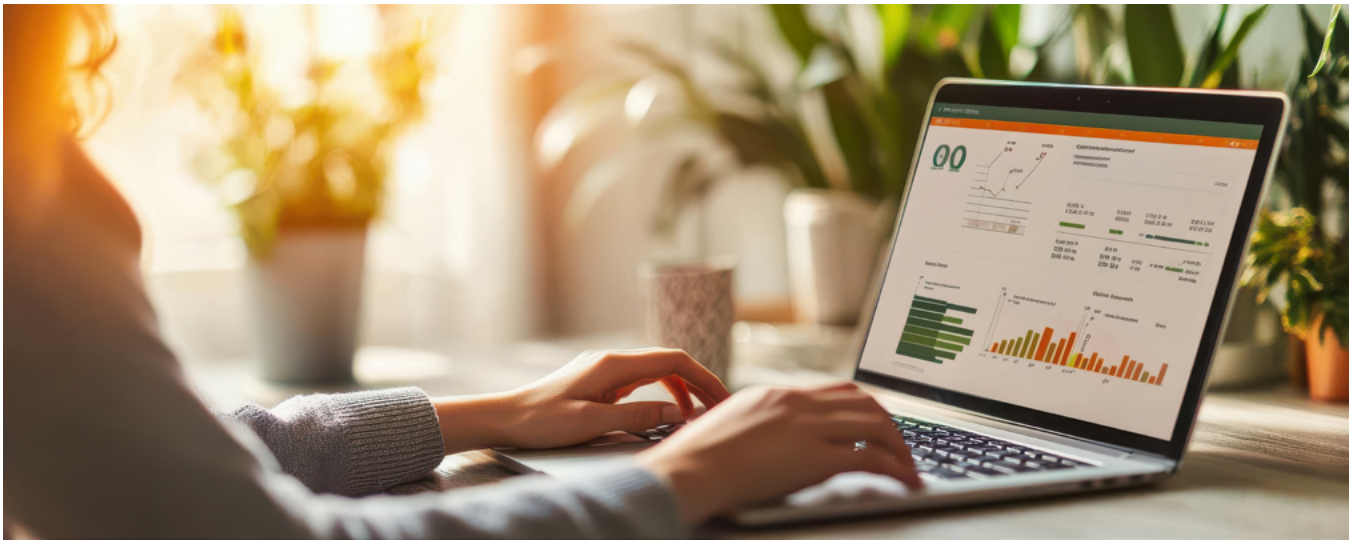
After completing the work, participating regulators issued confidential supervisory reports to selected insurers. Then, the insurers involved were required to submit action plans which included timelines required to implement the necessary remedial measures and to fully comply with the report recommendations.

1 2024 Annual Statement on Market Conduct Public Report

The scope of the assessment focused on the following line of enquiries

- Selection of distributors and representatives:
  - Selecting distributors
  - Selecting representatives
  - Insurer expectations of distributors regarding the selection of representatives
- Involvement of the board of directors in managing incentive arrangements
- Management of conflicts of interest
- Training:
  - Training offered by insurers
  - Insurer expectations regarding training offered by distributors
- Supervision and monitoring distribution channels, distributors and representatives:
  - Selecting distribution channels
  - Insurer supervision and monitoring of distributors
  - Insurer supervision and monitoring of representatives
  - Insurer expectations regarding the supervision and monitoring of representatives

The purpose of this CCIR report is to share some key common observations, recommendations and good practices derived from the Review. The CCIR members encourage all insurers to read this report, along with other findings and recommendations released by CCIR or its members so that they may proactively incorporate applicable recommendations into the activities of all their business lines, with necessary modifications.



Consolidated observations and recommendations related to insurers' monitoring and supervision of distribution channels

1. Selecting distributors and representatives

Expectations

According to the CCIR's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* (**Guidance**),[2] insurers are expected to:

- "have effective systems and controls in place and communicate clear strategies for selecting, appointing and managing arrangements with intermediaries as part of their overall distribution plan;
- conduct due diligence in the selection of intermediaries to ensure that they are authorized and have the appropriate knowledge and ability to conduct insurance business and, for distribution firms, have appropriate governance policies and procedures with respect to fair treatment of customers;
- have written agreements in place established in respect of their business dealings with each other, to clarify their respective roles and facilitate the achievement of expected outcomes in matters of fair treatment of customers";
- "manage contracts, once in place, to ensure that intermediaries continue to be authorized and remain suitable to do business with them and are in compliance with their contract conditions":
- ensure that "appropriate measures are taken to ensure that employees and representatives meet high standards of ethics and integrity, beginning at recruitment".

Observations

CCIR members observed that many insurers covered by this Review had a strategy or process related to the selection of distribution channels in place. These strategies and processes included considerations such as the insurers' appetite for network growth, licensing and authorization requirements, and product suitability for specific distribution channels.

CCIR members found that some insurers had selected distributors and all representatives across the direct, exclusive and independent channels that were authorized to offer their products.

Other insurers communicated expectations regarding the selection of representatives to selected distributors authorized to offer their products.

While both approaches are acceptable, insurers remain accountable for meeting their FTC obligations, even when intermediaries are involved in offering the insurer's products.

2 CCIR's Guidance: Conduct of Insurance Business and Fair Treatment of Customers

1.1 Insurers' selection of distributors and representatives

CCIR members found that while many insurers had processes in place for selecting distributors and representatives authorized to offer their products, these were not always adequately documented and formalized. In cases where processes were formalized, they frequently lacked sufficient detail or omitted FTC-related criteria. Additionally, selection decisions were often based solely on performance metrics, such as sales volumes.

As a result, insurers could not obtain reasonable assurance that those offering their products had the necessary knowledge and ability to ensure FTC. To address this, insurers are expected to implement and document robust selection criteria that incorporate FTC-related requirements.

Nevertheless, some good practices were observed that ensured the appropriate selection of distributors. These included:

- implementing formalized policies and processes that assigned roles and responsibilities for distributor selection and the assessment criteria to be applied, including criteria relating to FTC;
- implementing formalized processes aimed at issuing conditions to distributors prior to any contracting;
- implementing formalized processes following the issuance of recommendations to distributors in order to be able to follow up on the implementation of requested remedial measures prior to any contracting;
- implementing distributor selection questionnaires for obtaining information about:
  - the distributor's compliance framework, including the associated organization chart;
  - outsourcing arrangements that may have an impact on customers;
  - the code of ethics applicable to employees and representatives;
  - the FTC policy;
  - policies and procedures applicable to the selection of representatives;
  - policies and procedures applicable to distributors' supervision and monitoring of representatives, including recommendation and follow-up mechanisms;
  - the complaint handling policy;
  - the process for notifying the insurer of relevant complaints and dissatisfactions regarding its products and their distribution;
  - training tools for representatives on FTC, the insurer's products and their distribution;
  - the policy and process for addressing conflicts of interest;
  - disciplinary actions against representatives;
  - the distributor's reputation.
- establishing periodic oversight controls to ensure that the criteria applied, when selecting distributors, continue to be met by distributors throughout the duration of the insurer-distributor business relationship.

Good practices were also identified in relation to processes for selecting representatives, including:

- implementing formalized policies and processes that define the roles and responsibilities for selecting representatives and the assessment criteria to be applied, including criteria relating to FTC;
- implementing formalized processes for issuing and following up on recommendations prior to any contracting or granting of authorization to offer the insurer's products;
- implementing periodic controls to ensure that the various criteria applied when selecting representatives continue to be met by representatives, for as long as the representatives are authorized to offer insurer's products.

1.2 Insurers' expectations of distributors regarding the selection of representatives and controls

Insurers' expectations of distributors regarding the selection of representatives

Some insurers communicated their expectations regarding the selection of representatives to their independent channels distributors. Some insurers required distributors to obtain their consent before any representative was authorized to offer their products, while others preferred alternative controls.

Regardless of the approach taken, the insurers remain accountable for obtaining reasonable assurance that the representatives have the necessary knowledge and ability to ensure FTC.

Some examples of good practices were identified:

- the expectations of some insurers were explicitly set out in the contracts with distributors, including detailed minimum selection criteria;
- some contracts between insurers and their distributors clearly defined the parties' respective roles and responsibilities regarding the selection of representatives;
- some insurers used tripartite contracts between them, the distributors and the representatives authorized to offer their products, clearly outlining their expectations in the contract;
- some insurers formalized their expectations by specifying tools and materials to be used in recruitment processes.

Controls

CCIR members noted that some insurers had controls in place to obtain reasonable assurance that their expectations were being met for the selection of representatives authorized to offer their products. However, some controls were not robust, preventing the insurers from fully achieving the objectives sought by implementing them.

However, certain controls were identified as good practices:

- implementing a random sampling based due diligence verification process following distributors' selection of representatives;
- establishing an annual distributor disclosure process that included questions relating to the mechanisms, policies and processes for selecting representatives;
- establishing field audit/verification processes to assess the operationalization of distributors' representative selection policies and processes;
- implementing formalized processes for reporting on distributors' application of processes for selecting representatives;
- providing distributors with tools, policies or processes for the selection of representatives.

Some insurers implemented a combination of these mechanisms, thereby enabling robust controls to be put in place to ensure that their expectations regarding the selection of representative were being met.

Key recommendations issued to the insurers concerned relating to the selection of distributors and representatives:

- Formalize and implement distributor and/or representative selection processes that define roles and responsibilities and include criteria relating to FTC;
- Formally document and communicate their expectations to distributors regarding the selection of representatives authorized to offer their products;
- Formalize and implement mechanisms to obtain reasonable assurance that their expectations regarding the selection of representatives are being adequately met.

2. Involvement of the board of directors in managing incentive arrangements

Expectations

According to the Guidance, CCIR expects "fair treatment of customers to be a core component of the governance and corporate culture of insurers."

The Guidance also stresses that "overall responsibility for fair treatment of customers is at the level of the board and senior management, who design, implement and monitor adherence to policies and procedures aimed at ensuring that customers are treated fairly."

Finally, the insurer is exepected to ensure that "remuneration, reward strategies and evaluation of performance take into account the contribution made to achieving outcomes in terms of fair treatment of customers."

Observations

CCIR members found that most of the insurers had adequately defined and formalized the roles and responsibilities of their boards of directors or a board committee with respect to fair treatment of customers within remuneration programs, performance management and incentive arrangements. Engagement across all organizational levels and processes, starting with the board and its committees, contributed to establishing an FTC-focused culture.

Good practices observed by CCIR members included the formalization of roles and responsibilities with respect to remuneration, performance management and incentive arrangements, such as:

- assessing the risks associated with each incentive arrangement prior to rollout;
- periodically reviewing compensation and performance management structures to assess the impact on customers;
- implementing remedial measures, if necessary, following an assessment or review of incentive arrangements;
- adopting policies and processes that consider FTC in setting up remuneration programs; and
- implementing incentive-specific reporting, providing a snapshot of incentives and the associated risks.

For some insurers, these roles and responsibilities were assigned to the following committees:

- remuneration or incentive management committee;
- risk management committee;
- compliance committee;
- governance committee;
- FTC or sound commercial practices committee.

Key recommendation issued to the insurers concerned regarding the board's involvement in managing incentive arrangements:

- Define and document the roles and responsibilities of the board or one of its committees with respect to FTC within incentive programs.

3. Managing conflicts of interest

Expectations

According to the Guidance, insurers are expected to ensure "that any potential or actual conflicts of interest are avoided or properly managed and do not affect the fair treatment of customers."

To this end, insurers are expected to ensure "that each situation is assessed from a broad perspective, taking into account interactions between insurers, distribution firms, agents and representatives, in order to obtain a sustainable system, as a whole, that will deal appropriately with conflicts of interests."

Insurers are also expected to "take all reasonable steps to identify and avoid or manage conflicts of interest and communicate these through appropriate policies and procedures."

Observations

CCIR members noted that several insurers had policies, processes and mechanisms in place to address conflicts of interest and ensure FTC. However, we also noted that some insurers had not clearly identified or communicated their expectations to their distribution channels, especially their independent channels, regarding how conflicts of interest should be addressed. In addition, although some insurers had identified and communicated their expectations, the controls designed to ensure that those expectations were met remained deficient in some cases. As a result, those insurers were unable to obtain reasonable assurance that their expectations for addressing conflicts of interest were being adequately met and that FTC was thereby being ensured.

3.1 Measures by insurers for handling conflicts of interest

CCIR members noted that most insurers had policies in place to address conflicts of interest, as well as codes of ethics or conduct and guidance on how to manage such conflicts. These documents often contained definitions or examples of real or potential conflicts of interest.

Good practices identified include:

- establishing clear principles for remuneration tied to product distribution;
- including sections devoted to conflicts of interest in policies and codes of ethics or conduct;
- implementing a conflicts of interest policy that includes a definition or examples of conflicts of interest, actions to be taken to ensure they are properly addressed and the potential consequences of any breach;
- establishing ongoing processes requiring employees and direct or exclusive channels representatives to:
  - read and attest to compliance with a code of ethics or conduct;
  - disclose real or potential conflicts of interest;
  - complete conflicts of interest training.
- implementing a confidential whistleblower hotline;
- implementing and monitoring indicators related to:
  - completion and success rates for conflicts of interest training;
  - number of customer complaints and dissatisfactions received that relate to real or potential conflicts of interest.

3.2 Insurers' expectations regarding conflicts of interest and controls

Communicating insurers' expectations to their distribution channels

CCIR members observed that some insurers did not clearly identify and communicate their expectations regarding conflicts of interest, including to their independent distribution channels. However, CCIR members identified some good practices, including:

- using distribution contracts that include a dedicated section on conflicts of interest, with clear definitions of the parties' respective roles and responsibilities;
- using distribution contracts with schedules that clearly outline actions to be taken to ensure that conflicts of interest are properly addressed and the consequences of any breach;
- requiring all types of distribution channels to comply with the insurer's code of ethics or conduct, as well as periodically attest to compliance with the insurer's code(s);
- requiring all types of distribution channels to comply with the insurer's conflicts of interest policy.

Controls

During the Review, the CCIR members noted that several insurers did not have controls in place to obtain reasonable assurance that their expectations were being met regarding management of conflicts of interest and FTC. However, some good practices were identified:

- requiring individuals involved in offering the insurer's products periodically sign a declaration or attestation that they comply with the applicable policies, code of ethics or conduct, as well as application guidance on addressing conflicts of interest;
- establishing an annual distributor disclosure process, including questions relating to the mechanisms, policies and processes in effect, supporting the sound management of real and potential conflicts of interest;
- establishing a process for conducting field audits/reviews to assess the operationalization of distributors' conflicts of interest policies and processes;
- implementing reporting on conflicts of interest-related incidents.

Some insurers had implemented a combination of these mechanisms, thereby ensuring that robust controls were in place to ensure that their expectations for the way conflicts of interest are addressed were being met.

Key recommendations issued to the insurers concerned regarding the way conflicts of interest are addressed:

- Identify expectations for how conflicts of interest should be managed and communicate them more clearly to their distributors;
- Strengthen controls to ensure their expectations on conflicts of interest are met and provide reasonable assurance of FTC compliance.

4. Training

Expectations

According to the Guidance, “the insurer is responsible for fair treatment of customers throughout the life-cycle of the insurance product, as it is the insurer that is the ultimate risk carrier. In the provision of products and services, insurers should, upon first contact with customers, make a commitment to them and hold it throughout the life-cycle of the product, regardless of the distribution channels used by the insurer”.

Accordingly, insurers are expected to obtain, through appropriate supervision, reasonable assurance that having intermediaries involved in offering its products does not impair its ability to meet its FTC obligation.

To achieve this outcome, insurers are expected to, among other things:

- “provide relevant information and training to intermediaries to ensure they understand the target market, such as information related to the target market itself, as well as the characteristics of the product”;
- “establish ongoing training programs that allow the persons giving advice to maintain an appropriate level of knowledge about: their industry segment, the characteristics and risks of the products and services and their related documentation and the applicable legal and regulatory requirements” to ensure the delivery of quality advice;
- “have written agreements in place to clearly define the conditions, scope and limits of contracted services, clarify roles and promote the fair treatment of customers”;
- “manage contracts, once in place, to ensure that intermediaries continue to be authorized and remain suitable to do business with them and are in compliance with their contract conditions”.

Observations

CCIR members observed that some insurers had prohibited their distributors from developing specific training courses on product characteristics and risks, while others allowed this practice. While both approaches are acceptable, the CCIR members expect insurers to obtain reasonable assurance that individuals have the requisite knowledge to ensure FTC.

4.1 Training offered by insurers

CCIR members observed that insurers who developed product-specific training materials and did not allow distributors to develop such training generally documented and formalized this prohibition in their contracts. However, only some insurers had put in place control mechanisms to periodically verify compliance with this prohibition.

Additionally, several insurers had not developed and made available FTC-specific training. Some insurers had incorporated certain FTC-related elements into various training courses covering a range of topics. However, these practices did not enable insurers to obtain reasonable assurance that the representatives had an appropriate level of knowledge to ensure FTC.

Some good practices with respect to training developed by insurers included:

- explicitly prohibiting distributors, in the contract wording, from developing specific training materials on product characteristics, risks and target consumer groups;
- including, in the audit programs and annual statements of compliance, elements enabling the insurer to verify compliance with the prohibition on developing training;
- implementing formalized policies and processes that define respective roles and responsibilities in developing training on FTC and product characteristics, risks and target consumer groups;
- implementing formalized processes for reviewing training materials, with clearly defined triggers for when a review is required and a prescribed cadence for periodic review;
- implementing mandatory training specifically on FTC.

The CCIR members also identified some other good practices with respect to training, such as implementing communication mechanisms and tools to inform distributors and representatives when new or updated training courses become available. These mechanisms and tools also included periodic reminders sent to the individuals concerned, as well as statistics on training completion and success rates, whether for new employees or during ongoing training.

4.2 Insurers' expectations regarding training and controls

Insurers' expectations of distributors regarding training developed by them

When distributors were allowed to develop training materials on product characteristics, risks and target consumer groups, the CCIR members observed, often in independent distribution channels, that insurers' expectations for developing such training were not always clearly defined or communicated. Without clear and effectively communicated expectations, the insurers were not able to obtain reasonable assurance that the representatives authorized to offer their products had the necessary knowledge of their products to ensure FTC.

However, some examples of good practices were observed, particularly in the form of clearly formulated and well-structured expectations. These served as reference points for articulating objectives and effectively guiding distributors in developing training programs. For example, some insurers expected distributors to:

- develop and offer FTC-specific training;
- provide them with copies of their policies and processes associated with training development and any related materials, including the roles and responsibilities of the individuals involved;
- provide them with either all or a sample of the materials and training courses related to product characteristics, risks and target consumer groups in order to assess their compliance and accuracy and approve their use.

Controls

While some insurers adequately communicated their expectations regarding training development, they did not always have controls in place to obtain reasonable assurance that those expectations were being met. Among the insurers that had robust controls in place, some good practices were identified:

- implementing an annual distributor disclosure process, including questions relating to the mechanisms, policies and processes in place at the distributor, helping to ensure that training that is developed, revised and deployed regarding the insurer's products is adequate;
- establishing a process for conducting field audits/reviews to assess the operationalization of distributors' training development policies and processes;
- establishing a process for field audits/reviews that include elements relating to the quality, suitability and adequacy of training developed by the distributor, specifically regarding product characteristics, risks and target consumer groups;
    - such checks or audits could be conducted on a risk or ad-hoc basis or a combination of both.
- implementing and tracking qualitative and quantitative indicators, including:
    - completion and success rates for training on product characteristics, risks and target consumer groups and on FTC;
    - number of customer complaints and dissatisfactions received relating to product suitability, inadequate sales practices or FTC breaches;
    - statistical anomalies relating to sales volumes, cancellations, non-renewals or potential training issues.

Some insurers implemented a combination of these mechanisms and established robust controls to ensure that their expectations regarding the development of product-specific training were being met.

Key recommendations issued to the insurers concerned regarding training:

- Clearly define respective roles and responsibilities for training development;
- Enhance and effectively communicate their expectations to distributors regarding specific training on product characteristics, risks and target consumer groups;
- Implement controls to obtain reasonable assurance that the individuals involved in offering their products have sufficient knowledge to ensure FTC;
- Implement formalized controls to ensure that their expectations regarding specific FTC and product-training are being fully met.

5. Supervision and control of distribution channels, distributors and representatives

Expectations

According to the Guidance, CCIR expects that "distribution strategies are tailored to the product, take into account the interests of the target consumer groups and result in consistent consumer protections independently of the distribution model chosen."

To achieve this outcome, insurers are expected to, among other things to:

- "assess the performance of the various methods of distribution used, particularly in terms of fair treatment of customers and, if necessary, take the necessary remedial action";
- "review "the 'client files' of those under their responsibility to exercise control after the fact on the quality of the advice given, take any necessary remedial measures with respect to the delivery of advice and, if applicable, are in a position to examine fairly any complaints submitted to them";
- ensure that "mechanisms and controls are established to identify and deal with any departure from the organization's strategies, policies and procedures, any conflicts of interest or any other situation likely to interfere with fair treatment of customers";
- "have written agreements in place to clearly define the conditions, scope and limits of contracted services, clarify roles and promote the fair treatment of customers."

Observations

The CCIR members noted that some insurers supervised both their distributors and the representatives. For direct and exclusive distribution channels, insurers routinely supervised representatives. Other insurers supervised their distributors and communicated their expectations regarding the supervision of representatives to the distributors, a practice more prevalent in independent channels. While both approaches are acceptable, insurers are expected to ensure that their FTC obligation continues to apply even when intermediaries may be involved in offering the insurer's products.

5.1 Insurers' supervision of distributors and representatives

The CCIR members noted that several insurers conducted oversight of their distributors and representatives, mostly in direct or exclusive channels. However, across all channels a number of oversight programs included few or no FTC elements. Establishing oversight programs based solely on the achievement of sales volumes and underwriting standards was not sufficient to enable insurers to fully meet their FTC obligation.

In addition, the CCIR members observed, most frequently in independent channels, that where some insurers had provided recommendations to their distributors or representatives, they did not always have a formalized process to monitor the implementation of these recommendations. Without such a process, the insurers were not able to obtain reasonable assurance, even if they had identified areas for improvement by distributors or representatives, that the required changes had been properly implemented within the established timeframes.

Nevertheless, some good practices were observed related to ensuring insurers' supervision of distributors and representatives was adequate.

Identified good practices relating to the supervision of distributors included:

- establishing formal distributor oversight programs, which included:
  - identified roles and responsibilities for the parties involved;
  - clearly defined assessment criteria, particularly in relation to FTC, including the associated rating scales;
  - remedial measures to address non-compliance with established expectations;
  - a mechanism for following up on remedial measure implementation.
- establishing systems/mechanisms to classify distributors based on risk to determine frequency of monitoring activities;
- implementing audits and visits on the distributors' premises, carried out at a frequency determined by inherent-risk and on an ad-hoc basis;
- implementing and tracking qualitative and quantitative indicators associated with the distributors relating to:
  - anomalies in sales volumes, cancellations, non-renewals, lapses and claim denial rates, by product type and more broadly;
  - the number of complaints received relating to improper sales practices or FTC breaches;
  - the number or percentage of distributor representatives that are under investigation or whose contracts have been terminated for cause;
  - the customer satisfaction rate following interactions with their representative.
- establishing alert mechanisms based on indicator tracking;
- establishing an annual or periodic statement by distributors attesting their compliance with the established criteria and obtaining information relating to:
  - the distributor's compliance framework and associated organization chart;
  - the presence of outsourcing arrangements that may have an impact on customers;
  - the existence of a code of ethics;
  - policies and procedures applicable to the selection of representatives;
  - policies and procedures applicable to the supervision and monitoring of representatives by distributor;
  - the complaint handling policy;
  - the process for notifying the insurer of relevant complaints and dissatisfactions regarding its products and their distribution;
  - tools for training representatives on the insurer's products;
  - the conflicts of interest policy and process;
  - the distributor's reputation;
  - distributors' disciplinary actions against representatives.
- implementing a formalized structure for communications between the insurer and the distributor, including, as applicable, agendas, meeting minutes and the mechanism for following up on outstanding items.

Additionally, good practices relating to the supervision of representatives were also identified, including:

- establishing formalized programs for supervising representatives, including:
  - identification of the respective roles and responsibilities of the sectors involved;
  - clearly defined assessment criteria, particularly in relation to FTC, including associated rating scales;
  - corrective measures implemented based on the results of program application;
  - a mechanism for following up on corrective measure implementation.
- sharing recommendations regarding representatives' practices both with the representatives concerned and their associated distributors, who are then required to be involved in the implementation of corrective measures;
- implementing formal call monitoring programs with criteria to assess the quality of customer service offered and adherence to FTC principles. Such criteria include:
  - use of the appropriate versions of reference materials;
  - adherence to identified steps when offering the insurer's products;
  - delivery to the customer of all necessary materials before, during and after a product is offered;
  - adequate management of real or potential conflicts of interest;
  - application of measures to protect customers' personal information;
  - provision of complete, plain and clear information to support understanding and informed decision making;
  - presence of errors with an impact on the customer (date, amount, currency, expiration).
- implementing customer record audits that include criteria relating to FTC.

5.2 Insurers' expectations of distributors regarding the supervision of representatives and controls

Insurers' expectations of distributors regarding the supervision of representatives

Some insurers had provided expectations to independent distributors regarding the supervision of representatives, without implementing ongoing supervision programs themselves. The CCIR members found that, in the case of many of these insurers, expectations were not clearly defined and communicated. Without clearly defined and effectively communicated expectations for the supervision of representatives, the insurers were not able to obtain reasonable assurance that distributors were adequately meeting their expectations. As a result, they could not obtain reasonable assurance that the actions of representatives offering their products were allowing them to meet their own obligation to ensure FTC.

The CCIR members identified good practices regarding the supervision and monitoring of representatives by the distributors. For example, some insurers expected distributors to:

- set FTC-related performance standards for representatives;
- put in place supervision programs and controls allowing representatives' FTC performance to be assessed and providing assurance that any corrective measures were implemented;
- provide reports on the application of the supervision programs;
- communicate customer complaints and dissatisfactions to them, particularly complaints related to FTC and those specific to their products and their distribution.

Controls

The CCIR members noted that many insurers did not have any controls in place to verify compliance with stated expectations. In addition, where controls were in place, some were insufficient to enable robust monitoring of compliance with insurers' expectations regarding the supervision of representatives.

However, some controls were identified as good practices, including:

- implementing formalized processes for reporting on distributors' application of programs for supervising representatives, particularly with respect to frequency of application and results;
- implementing and monitoring qualitative and quantitative indicators in respect of representatives, including data relating to:
  - commercial practices;
  - customer complaints and dissatisfactions regarding the insurer's products or their distribution;
  - anomalies or unusual changes in sales volumes, cancellations, lapses or non-renewals;
  - disciplinary actions against representatives;
  - the customer satisfaction rate following interactions with their representatives;
  - an investigation being conducted in respect of a representative.
- establishing alert mechanisms based on the tracking of indicators;
- implementing insurer-led programs for supervising representatives in relation to specific issues or concerns that arise, including when customer complaints and dissatisfactions pertain to commercial practices, or when certain indicator thresholds triggered an alert mechanism;
- implementing a random sampling based audits of clients files that include criteria relating to FTC, to ensure that distributor supervision programs are operationalized.

Some insurers implemented a combination of these practices and mechanisms, tailored to the nature, size and complexity of their business, thereby ensuring that robust controls were in place to provide assurance that their expectations regarding the supervision of distribution, distributors and representatives were being met.

Key recommendations issued to the insurers concerned regarding the supervision and monitoring of distribution, distributors and representatives:

- Clearly define roles and responsibilities for the supervision of distributors and representatives;
- Enhance or implement formalized processes and mechanisms for supervising distributors and representatives in order to incorporate elements relating to FTC;
- Formalize processes for following up on recommendations issued to distributors and representatives;
- Formalize and clearly communicate their FTC expectations to distributors regarding the supervision of representatives;
- Formalize and clearly communicate their expectations to their distributors regarding information relating to customer complaints and dissatisfactions regarding insurers' products or their distribution;
- Formalize processes for reporting between the insurer and its distributors;
- Implement robust controls to ensure that their expectations regarding the supervision of representatives are being met.

Conclusion and next steps

According to the ASMC Public Report published in 2025, over the last three years the insurance industry in Canada saw an overall growth in independent distribution channels across both L&H and P&C insurance sectors, despite a temporary decline in P&C in 2023.

The CCIR cooperative supervisory review of Insurers' Monitoring and Supervision of Distribution Channels conducted in 2024-2025 identified a number of weaknesses, including a lack of insurers' robust monitoring and oversight of independent distribution channels.

By publishing this consolidated report, the CCIR members aim to share good practices identified during the Review with insurers that are less advanced in implementing FTC, therefore, helping them to achieve an adequate level of maturity in monitoring and supervision of their distribution channels.

We encourage insurers to use this report as a reference to self-assess their current practices in pursuit of continuous improvement. The report is meant to help insurers clarify insurance regulators' requirements, identify areas for improvement and measures required to strengthen FTC business practices related to monitoring and supervision of distribution channels.

To complete this supervisory activity, CCIR members will continue working with insurers, in scope for this Review, on actions taken to implement recommendations provided. In addition, CCIR members will continue emphasizing the importance of insurers' robust monitoring and oversight of their distribution channels, particularly independent channels, and will monitor the data collected through the Annual Statement on Market Conduct for these distribution channels.

Appendix A

CCIR reports with FTC observations and recommendations

- November 2025: 2024 Annual Statement on Market Conduct Public Report
- November 2024: 2023 Annual Statement on Market Conduct Public Report
- June 2024: Governance and Business Culture in terms of Fair Treatment of Customers CCIR Report
- December 2023: 2022 Annual Statement on Market Conduct Public Report
- December 2022: 2021 Annual Statement on Market Conduct Public Report
- November 2021: 2020 Annual Statement on Market Conduct Public Report
- October 2021: CCIR Cooperative Fair Treatment of Customers (FTC) Review – Consolidated Observations Report
- December 2020: 2019 Annual Statement on Market Conduct Public Report

Appendix B

Definitions

The following definitions apply in the context of this report.

Distributor:	"Distributor" includes direct or exclusive/independent insurance firms, managing general agents (MGAs), national accounts and other entities authorized to offer an insurer's products.
Representative:	Direct or exclusive agents are bound by an exclusive contract with a single insurer, act on behalf of a firm that is an insurer and offer the insurer's products. Independent agents offer products from various insurers.
Fair treatment of customers (FTC) :	A principle that focuses on consumer outcomes, in particular, having due regard for the interests of the consumer and treating the consumer fairly. It refers to the consumer-related conduct of insurers and how insurers treat consumers at each stage of the life cycle of a product. The lifecycle of the product begins with its design to after-sales services and from the moment obligations under the contract arise until the point at which all obligations under the contract have been fulfilled. The outcomes associated with FTC as described by the International Association of Insurance Supervisors (IAIS) include the following: • developing and marketing products in a way that pays due regard to the interests of customers; • providing customers with clear information before, during and after the point of sale; • reducing the risk of sales which are not appropriate to customers' needs; • ensuring that any advice given is of a high quality; • dealing with customer complaints and disputes in a fair manner; • protecting the privacy of information obtained from customers; • managing the reasonable expectations of customers. Areas within an insurer and its operations that can influence and help ensure the FTC include: • board and senior management responsibility; • strategy and decision-making; • internal processes and mechanisms (controls); • performance management; • remuneration; • policies and procedures. The CCIR notes that while these outcomes are intended to be a key component of a globally accepted regulatory framework, the IAIS notes that context and conditions within a given jurisdiction, including legal, regulatory and financial considerations, will ultimately affect the implementation and application of FTC and its associated outcomes.